

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GALLATIN COUNTY WATER )  
DISTRICT FOR THE APPROVAL OF INCREASED ) CASE NO. 2011-00378  
MONTHLY RATES AND FOR APPROVAL OF AN )  
INCREASE IN ITS METER CONNECTION FEE )

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of February 20, 2012, the attached report containing the findings and recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding.

  
for Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602

DATED: FEB 27 2012

cc: Parties of Record

STAFF REPORT ON THE PROPOSED RATE ADJUSTMENT  
OF GALLATIN COUNTY WATER DISTRICT  
CASE NO 2011-00378

On September 19, 2011, Gallatin County Water District ("Gallatin District") filed with the Commission an application to adjust its current rates for water service. Using its historical operations for the calendar year ended December 31, 2010 and adjusting for known and measureable changes, Gallatin District proposes rates which will reportedly produce additional operating revenues of \$247,263,<sup>1</sup> an increase of 27.6 percent over reported test-period operating revenues.<sup>2</sup>

Commission Staff members Samuel J. Bryant, Jr., and Jason Green performed a limited review of Gallatin District's test year operations to determine the reasonableness of the proposed rates. The scope of their review was limited to obtaining information as to whether the test year operating revenues and expenses were representative of normal operations, and that Gallatin District's proposed adjustments were reasonable. They did not pursue and have not addressed in this report insignificant or immaterial discrepancies.

In performing its review, Commission Staff relied upon the documents contained in Gallatin District's Application and in Gallatin District's Response to Commission

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<sup>1</sup> Application at 3. This amount represents the difference in operating revenues after the proposed rate adjustment is fully implemented. Gallatin District proposes to adjust its rates in two phases. The proposed rates for the first phase of the rate adjustment will reported produce additional revenue of \$75,462. The second phase will produce additional revenues of \$171,801.

<sup>2</sup> Gallatin District reported total water operating revenues of \$896,286. See *Annual Report of Gallatin County Water District to the Kentucky Public Service Commission for the Calendar Year Ended December 31, 2010* at 9.

Staff's Request for Information and upon its inspection of the water district's records and interviews of water district employees.

This report summarizes Commission Staff's findings and recommendations regarding the proposed rate adjustment. Mr. Bryant is responsible for all areas of this report concerning revenue requirements. Mr. Green is responsible for normalized revenues and rate design.

Attachment A of this report details Gallatin District's reported test year operations and Commission Staff's proposed adjustments to those operations. Attachment B contains narrative explanations for all test year adjustments that Gallatin District and Commission Staff propose. For each test year expense category for no discussion is presented, Commission Staff found insufficient evidence to find the expense excessive or unreasonable.<sup>3</sup> Attachment C contains a calculation of the revenue requirement. Based upon Commission Staff's adjusted test period operations and a debt service coverage ratio of 1.2x, Commission Staff finds that Gallatin District requires total revenues of \$1,158,837. Of these revenues, \$1,141,679 should be derived from water sales.

Gallatin District proposes to place its proposed rates into effect in two phases. In the first phase, which it proposed to implement November 1, 2011, the proposed rates would allow for recovery of one-half of allowable depreciation expenses. In the second and final phase, which Gallatin District proposed to take effect on November 1, 2013,

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<sup>3</sup> A. Priest, Principles of Public Utility Regulation 561 (1969) (management decisions are presumed reasonable until it is shown that "outlays were not reasonable operating expenses because they were in excess of just and reasonable charges"). See also See Case No. 89-029, *City of Newport v. Campbell County Kentucky Water District and Kenton County Water District No. 1* (Ky. PSC Jan. 31, 1990).

the proposed rates would increase to permit full recovery of allowable depreciation expense.

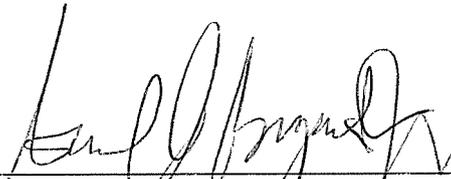
Based upon its review of the proposed rates and using 2010 test period normalized sales, Commission Staff finds that Gallatin District's proposed first phase rates will produce revenues from water sales of \$985,300 and that the proposed second phase rates will produce revenues from water sales of 1,156,975. Attachment D contains a cash flow analysis that indicates that the proposed rate schedules will generate sufficient revenues to meet its interest and principal payments.

In its application, Gallatin District provided a cost-of-service study upon which its proposed rates are generally based. Commission Staff finds that the methodology used in this cost-of-service study is reasonable and is generally consistent with industry practice and methodologies that the Commission has previously accepted. Commission Staff prepared its own cost-of-service study, the results of which are found at Attachments E through H. These results closely resemble those of Gallatin District's study.

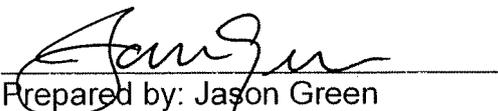
Commission Staff notes that Gallatin District did not closely follow the results of its cost-of-service study in developing its proposed rates. The cost-of-service study indicated that significantly large increases in the 1,001 to 3,000 gallon block rate and 3,001 to 5,000 gallon rate were necessary. While Gallatin District's proposed rates reflect increases in each rate block, these increases are less than those mandated by the cost-of-service study. The rates that Commission Staff found necessary to produce water revenues of \$1,147,479 are set forth in Attachment J and fully reflect the results of the cost-of service study.

Commission Staff finds that, while the proposed rates do not fully reflect the results of Gallatin District's cost-of-service study, they represent a significant effort towards achieving cost-based rates and are consistent with the principles of gradualism. Gallatin District's proposed rate design, therefore, is not unreasonable.

Gallatin District also proposed to adjust its meter collection charge for a 5/8-inch x 3/4-inch meter from \$530 to \$802 and to increase its deposit to reflect the proposed adjustment in rates. Based upon its review of the supporting documents, Commission Staff finds that the proposed charge will not produce revenues in excess of the expenses to provide the service in question and recommends its approval. Likewise, Commission Staff finds the proposed increase in the deposit requirement is consistent with 807 KAR 5:006, Section 7.



Prepared by: Samuel J. Bryant, Jr.  
Financial Analyst, Water and Sewer  
Revenue Requirement Branch  
Division of Financial Analysis



Prepared by: Jason Green  
Rate Analyst, Water and Sewer Rate  
Design Branch  
Division of Financial Analysis

ATTACHMENT A  
CASE NO. 2011-00378  
COMMISSION STAFF RECOMMENDED  
PRO FORMA INCOME

	<u>2010</u>	<u>Pro Forma Adjustments</u>	<u>Adj</u>	<u>Pro Forma</u>
Residential Sales	\$ 748,257	(3,680)		\$744,577
Commercial Sales	79,750			79,750
Sales For Resale	13,033			13,033
Forfeited Discounts	31,820			31,820
Miscellaneous Service Revenue	21,160			21,160
Other	2,266			2,266
Total Water Revenue	<u>896,286</u>	<u>(3,680)</u>	A	<u>892,606</u>
Expenses:				
Salaries and Wages	217,728	(23,844)	B	193,884
S&W- Officers and Directors	5,800	(5,800)	C	0
Employee Pension & Benefits	110,010	850	D	110,860
Purchased Water	7,073	(192)	E	6,881
Purchased Power	60,681	(275)	F	60,406
Chemicals	4,160	(21)	G	4,139
Materials and Supplies	54,915			54,915
Engineering	1,807			1,807
Accounting	8,480			8,480
Legal	3,450			3,450
Water Testing	3,480			3,480
Transportation	18,461			18,461
General Liability Insurance	14,202	(2,147)	H	12,055
Workers' Compensation	4,936	1,567	I	6,503
Other Insurance	3,331			3,331
Advertising	1,011		J	1,011
Bad Debt	10,267			10,267
Miscellaneous	19,088			19,088
Total O&M Expenses	<u>548,880</u>	<u>(29,862)</u>		<u>519,018</u>
Depreciation Expense	343,601			343,601
Amortization Expense	1,428			1,428
Taxes Other Than Income	16,952			16,952
Total Operating Expenses	<u>910,861</u>	<u>(29,862)</u>		<u>880,999</u>
Operating Income	(14,575)			5,807
Interest \$ Dividend Income	10,158			10,158
Nonutility Income	7,000			7,000
Interest Expense	(157,204)			(157,204)
Net Income	<u>\$ (154,621)</u>	<u>26,182</u>		<u>\$ (128,439)</u>

ATTACHMENT B  
CASE NO. 2011-00378  
EXPLANATION OF PRO FORMA ADJUSTMENTS

A. Gallatin District proposed to reduce Water Revenues by \$3,680 to reflect the results of its billing analysis of test period sales and to normalize revenues.

B. Salaries & Wages. Gallatin District recorded test period wages of \$217,728. During calendar year 2011, two employees resigned. These employees' salaries were \$28,801 and \$2,349, respectively. Gallatin District hired one replacement at a salary of \$24,960. A Gallatin District employee, whose annual salary was \$52,817, retired. Gallatin District hired a replacement whose annual salary is \$31,200. Gallatin District provide a three percent salary increase to four employees whose annual salaries totaled \$132,168, thus increase annual salaries and wages by \$3,963 ( $\$132,168 \times 0.03 = \$3,963$ ). These changes result in a reduction to test period salaries of \$23,844

C. Salaries & Wages—Officers & Directors. Gallatin District has Commissioners whose salaries total \$5,800. Gallatin District proposed that two Commissioners receive an increase in pay of \$700 each. However, all Commissioner salaries or increases in pay require approval by Gallatin Fiscal Court. Gallatin District did not provide evidence of these salaries having been approved, therefore, the proposed adjustment is denied.

D. Pensions and Benefits. Gallatin District recorded test-year Pensions and Benefits in the amount of \$110,010. Gallatin District's monthly medical insurance premium has increased to \$6,185 and results in an annual expense of \$74,220 ( $\$6,185 \times 12 \text{ months} = \$74,220$ ). Gallatin District is a member of County Employees Retirement System. Based on pro forma salaries and a contribution rate of 18.9 percent, Gallatin District's retirement cost will equal \$36,640. These two adjustments will result in an increase of \$850 to test period Pensions and Benefits expense of \$110,110.

E. Purchased Water. Gallatin District experienced unaccounted for water loss of 17.579 percent. 807 KAR 5:066, Section 6(3), provides that "for rate making purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations." As shown in Table 1, a decrease in purchased Water Expense of \$192 is necessary to eliminate the purchased water expenses associated with the unaccounted-for water loss in excess of 15 percent.

<u>TABLE I</u>	
<u>Unaccounted for Water Loss Percentage</u>	
Water Produced/Purchased	133,942,000
	4,926,000
	138,868,000
Water Sales - Staff's Billing Analysis	113,820,945
Water Treatment Plant	260,000
System Flushing	244,000
Fire Department	0
Other	131,000
Total Water Sold and Used	114,455,945
Unaccounted for Water Loss - Gallons	24,412,055
Percentage of Unaccounted for Water Loss	17.579%
Percentage Water Loss in Excess of 15 Percent	2.579%
<u>Determination of Proforma Purchased Water</u>	
Pro Forma Water Sales	113,820,000
Add: System Flushing, Fire Department, and Other	635,000
Subtotal	114,455,000
Divided by: 15% Line Loss Reciprocal	85.00%
Allowable Purchases/Production	134,652,941
<u>Purchased Water Cost Per 1,000 Gallons</u>	
Allowable Purchases	4,712,859
Multiplied by: Water Rate per 1,000 Gallons	\$ 0.00146
Pro Forma Purchased Water Expense	\$ 6,881
Less: Actual Test-period Expense	\$ 7,073
Pro Forma Adjustment - Nonrevenue Water	\$ (192)

F. Purchased Power. This account totaled \$60,681 for the test period. All invoices were examined and this amount of expense is acceptable. However, this account should be reduced by \$275 to account for power used to pump the disallowed excess water.

G. Chemicals. All chemical invoices were examined and the amount expended for the test year is acceptable. However this account must be decreased by \$21 to account for the chemicals used to treat the excess water loss.

H. Gallatin District proposed to decrease General Liability Insurance by \$2,147 from a test-year expense of \$14,202 to \$12,055 to reflect changes in insurance premiums after the end of the test period. The proposed adjustment is supported by invoices.

I. Gallatin District proposed to increase Workers' Compensation Insurance from a test-period level of \$4,936 to \$6,503 to reflect post-test period increases in insurance premiums. The proposed adjustment is supported by invoices.

J. Gallatin District incurred expense to advertise open positions. 807 KAR 5:016, Section 2, permits this type of advertising expense.

ATTACHMENT C  
CASE NO. 2011-00378  
DEBT SERVICE AND REVENUE REQUIREMENT CALCULATION

<b>DEBT SERVICE CALCULATION</b>			
<b>YEAR</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	81,225	150,186	231,411
2013	84,530	146,967	231,497
2014	87,940	143,719	231,659
TOTAL	253,695	440,872	694,567
AVERAGE			\$231,532

<b>REVENUE REQUIREMENT CALCULATION</b>	
Adjusted Operating Expense	\$ 880,999
Debt Service	231,532
.20 Coverage	<u>46,306</u>
Revenue Requirement	\$ 1,158,837
Less: Normalized Revenues	892,606
Less: Interest Income	10,158
Less: Non Utility Income	<u>7,000</u>
Increase Required	<u>\$ 249,073</u>

ATTACHMENT D  
CASE NO. 2011-00378  
CASH FLOW ANALYSIS USING GALLATIN DISTRICT'S  
PROPOSED RATES

	<b>Phase I Rates</b>	<b>Phase II Rates</b>
Normalized Revenue-Water Sales	\$ 896,286	\$ 896,286
Requested Increase	84,957	169,916
Revenue-Water Sales	744,577	744,577
Other Income/Deductions	17,158	17,158
Other Operating Revenue	<u>23,326</u>	<u>23,326</u>
Revenue Available For Debt & Operating Expenses	1,766,304	1,851,263
Less: operating Expenses	(866,799)	(694,999)
Depreciation & Amortization	171,800	(343,601)
Income Available for Debt Service	1,071,305	812,663
Less: Debt Service	<u>231,411)</u>	<u>231,411)</u>
Net Cash Flow	839,894	581,252
Divide by Debt Service	\$ 231,411	\$ 231,411
	3.60	2.50

ATTACHMENT E  
CASE NO. 2011-00378

GALLATIN COUNTY WATER DISTRICT  
WATER PURCHASED AND SOLD

Total Produced	138,868.0	
System Use	2,591.2	0.0187
Line Loss	20,645.4	0.1492
Retail Sales	106,253.4	0.7676
Wholesale Sales	8,927.0	0.0645
Total	138,417	1.00

GALLATIN COUNTY WATER DISTRICT  
INCH MILE RATIO

Size	<u>Total System</u>			<u>Jointly Used</u>		
	Feet	Miles	Inch Miles	Feet	Miles	Inch Miles
10		8.00	80.00	-	0.00	0.00
8		11.00	88.00	-	0.00	0.00
6		25.00	150.00	-	4.70	28.20
4		64.00	256.00	-	0.00	0.00
3		9.00	27.00	-	0.00	0.00
Total	-	117.00	601.00	-	0.00	28.20
Inch Mile Ratio		0.0469				

GALLATIN COUNTY WATER DISTRICT  
WHOLESALE ALLOCATION FACTORS

		<u>Factor</u>
Line Loss Percentage		0.1492
Plant Use Percentage		0.0187
Allowable Line Loss & Plant Use	$0.1492 + 0.0187$	0.1687
Production Multiplier	$1/1-0.0187$	1.0191
Inch Mile Ratio	$28.20 / 601.00$	0.0469
Wholesale Share of Line Loss	$0.0469 * 0.1492$	0.0070
Joint Share Line Loss / Plant Use	$0.0070 + 0.0187$	0.0257
Wholesale Production Multiplier	$1/1-0.0257$	1.0264
Production Allocation Factor	$8,927,000/115,180,000$ $* (1.0264/1.0191)$	0.0781
Pipeline Transmission Factor	$8,927,000/115,180,000$ $* 0.0469$	0.0036
Use Factor	$8,927,000/115,180,000$	0.0775

GALLATIN COUNTY WATER DISTRICT  
WHOLESALE ALLOCATION FACTORS

			<u>Factor</u>
Line Loss Percentage		Amount Allowable by PSC	0.1492
Plant Use Percentage			0.0187
Allowable Line Loss & Plant Use	$0.1492 + 0.0187$	= Line Loss % + Plant Use %	0.1687
Production Multiplier	$1/1-0.0187$	= $1/(1 - \text{Plant Use \%})$	1.0191
Inch Mile Ratio	$28.20 / 601.00$	= $\frac{\text{Total Jointly Used Inch Miles}}{\text{Total Inch Miles}}$	0.0469
Wholesale Share of Line Loss	$0.0469 * 0.1492$	= $\frac{\text{Inch Mile Ratio} * \text{Line Loss}}{\%}$	0.0070
Joint Share Line Loss / Plant Use	$0.0070 + 0.0187$	= $\frac{\text{Wholesale Share of Line Loss} + \text{Plant Use \%}}{\%}$	0.0257
Wholesale Production Multiplier	$1/1-0.0257$	= $\frac{1}{1 - \text{Joint Share Line Loss} / \text{Plant Use}}$	1.0264
		(Sales to Wholesale customers / Total Water Sold) * (Wholesale Production Multiplier /	
Production Allocation Factor	$\frac{8,927,000}{115,180,000} * (1.0264/1.0191)$	= Production Multiplier)	0.0781
		(Sales to Wholesale customers / Total Water Sold) * Inch Mile Ratio	
Pipeline Transmission Factor	$\frac{8,927,000}{115,180,000} * 0.0469$	= $\frac{\text{Sales to Wholesale Customers} / \text{Total Water Sold}}{\%}$	0.0036
Use Factor	$\frac{8,927,000}{115,180,000}$	= Sold	0.0775

GALLATIN COUNTY WATER DISTRICT  
ALLOCATION OF EXPENSES

<u>Expense</u>	<u>Total</u>	<u>Pumping and Treatment</u>	<u>Transmission and Distribution</u>	<u>Customer</u>
Purchased Power *	\$ 60,406	\$ 38,116	\$ 19,511	\$ 2,779
Purchased Water *	6,881	6,881		
Employee Salaries	193,884	15,294	91,666	86,924
Employee Pension & Benefits	110,860	8,747	52,415	49,698
Materials & Supplies	54,915		34,496	20,419
Engineering	1,807		1,807	
Accounting	8,480			8,480
Legal	3,450			3,450
Advertising	1,011			1,011
Bad Debt	10,267			10,267
Water Testing	3,480		3,480	
Chemicals *	4,139	4,139		
Subtotal	459,580	73,177	203,375	183,028
Subtotal Less Commodity* Percentage	\$ 410,444	\$ 24,041 0.0586	\$ 203,375 0.4955	\$ 183,028 0.4459
 <i><u>Administrative and General</u></i>				
Amortization	1,428	84	708	637
Insurance	21,889	1,282	10,846	9,761
iscellaneous	19,088	1,118	9,458	8,512
Transportation Expense	18,461	1,081	9,147	8,232
Payroll Taxes	16,952	993	8,400	7,559
Subtotal	\$ 537,398	\$ 77,735	\$ 241,933	\$ 217,729
Depreciation	\$ 343,601	\$ 20,126	\$ 170,254	\$ 153,221
Debt Service plus Coverage	\$ 277,838	\$ 16,274	\$ 137,668	\$ 123,895
<b>Total Expenses</b>	<b>\$ 1,158,837</b>	<b>\$ 114,134</b>	<b>\$ 549,856</b>	<b>\$ 494,845</b>

\*Commodity Costs

GALLATIN COUNTY WATER DISTRICT  
WHOLESALE RATE

<u>Expense</u>	<u>Total</u>	<u>Allocation Factor</u>	<u>Amount to Wholesale</u>	<u>Rate to Wholesale</u>
Commodity				
Purchased Power & Water	\$ 67,287	0.0775	\$ 5,215	0.5842
Water Testing	\$ 4,139	0.0775	\$ 321	0.0359
Operation and Maintenance				
Pumping and Treatment	6,309	0.0781	492	0.0552
Transmission and Distribution	241,933	0.0036	880	0.0986
Customer	217,729			
Depreciation				
Pumping and Treatment	20,126	0.0781	1,571	0.1760
Transmission and Distribution	170,254	0.0036	619	0.0694
Customer	153,221			
Debt Service				
Pumping and Treatment	16,274	0.0781	1,270	0.1423
Transmission and Distribution	137,668	0.0036	501	0.0561
Customer	123,895			
Total Expenses	\$ 1,158,836		\$ 10,869	
Wholesale Rate				\$ 1.22

ATTACHMENT F  
CASE NO. 2011-00378

GALLATIN COUNTY WATER DISTRICT  
ALLOCATION OF PLANT VALUE

	<u>Total</u>	<u>Commodity</u>	<u>Demand</u>	<u>Customer</u>
Organization	\$ 31,926		\$ 31,926	
Land & Land Rights	226,229		226,229	
Structures & Improvements	344,910		344,910	
Wells & Springs	366,888		366,888	
Pumping Equipment	1,262,191		1,262,191	
Water Treatment Equip.	22,168		22,168	
Distribution Reservoirs & Standpipes	2,038,982		2,038,982	
Transmission & Distribution Mains	4,164,987		4,164,987	
Services	238,918			238,918
Meters & Meter Installations	676,382			676,382
Hydrants	25,746			25,746
Other Plant & Misc.	9,700		9,700	
Subtotal	\$ 9,409,027	\$ 0	\$ 8,467,981	\$ 941,046
Percent	100.00%	0	90.00%	10.00%
General Plant (1)				
Office Furniture & Equipment	45,768		41,191	4,577
Transportation Equipment	91,501		82,350	9,151
Tools, Shop & Garage	2,795		2,515	280
Power Operated Equipment	102,762		92,484	10,278
Communication Equipment	10,405		9,364	1,041
Total Value	\$ 9,662,258	\$ 0	\$ 8,695,885	\$ 966,373

(1) General Plant allocated based on overall weighted allocation of all other plant.

Note: Figures used were derived from 2010 annual report.

GALLATIN COUNTY WATER DISTRICT  
ALLOCATION OF DEPRECIATION EXPENSE

	<u>Total</u>	<u>Commodity</u>	<u>Demand</u>	<u>Customer</u>
Structures & Improvements	\$ 8,973		\$ 8,973	
Wells & Springs	13,379		13,379	
Pumping Equipment	114,701		114,701	
Water Treatment Equipment	1,069		1,069	
Distribution Reservoirs & Standpipes	71,817		71,817	
Transmission & Distribution Mains	82,879		82,879	
Services	7,940			7,940
Meters & Meter Installations	16,829			16,829
Hydrants	483			483
Subtotal	\$ 318,070	\$ 0	\$ 292,818	\$ 25,252
Percent	100.00%	0	92.06%	7.94%
General Plant (1)				
Office Furniture & Equipment	4,377		4,030	347
Transportation Equipment	10,944		10,075	869
Tools, Shop & Garage	279		257	22
Power Operated Equipment	9,078		8,357	721
Communication Equipment	853		785	68
Total Depreciation	\$ 343,601	\$ 0	\$ 316,322	\$ 27,279

Note: Figures were derived from 2010 annual report.

GALLATIN COUNTY WATER DISTRICT  
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

	<u>Total</u>	<u>Commodity</u>	<u>Demand</u>	<u>Customer</u>
Salaries & Wages	\$ 193,884		\$ 98,881	\$ 95,003
Pensions & Benefits	110,860		56,539	54,321
Purchased Water	6,881	\$ 6,881		
Purchased Power	60,406	38,116	19,511	2,779
Chemicals	4,139	4,139		
Materials & Supplies	54,915		34,496	20,419
Engineering - Contractual	1,807		1,807	
Accounting - Contractual	8,480			8,480
Legal - Contractual	3,450			3,450
Water Testing	3,480		3,480	
Advertising	1,011			1,011
Bad Debt	10,267			10,267
Subtotal	\$ 459,580	\$ 49,136	\$ 214,713	\$ 195,731
Less Commodity	-\$49,136			
Subtotal	\$ 410,444		\$ 214,713	\$ 195,731
Percent	100.00%		52.31%	47.69%
Insurance	21,889		11,451	10,438
Amortization	1,428		747	681
Taxes Other Than Income	16,952		8,868	8,084
Transportation	18,461		9,657	8,804
Miscellaneous Expense	19,088		9,985	9,103
Total	\$ 537,398	\$ 49,136	\$ 255,422	\$ 232,840

GALLATIN COUNTY WATER DISTRICT  
SUMMARY OF ALLOCATIONS - 100% DEPRECIATION

	<u>Total</u>	<u>Commodity</u>	<u>Demand</u>	<u>Customer</u>
Plant Percentages	100.00%		90.00%	10.00%
Available For Debt Service	\$ 277,838		\$ 250,050	\$ 27,788
Depreciation Percentages	100.00%		92.06%	7.94%
Total Depreciation	343,601		316,322	27,279
Total Operation & Maintenance	537,398	\$ 49,136	255,422	232,840
Revenue Requirement	\$ 1,158,837			
<i>Less: Other Operating Revenue</i>				-55,246
<i>Less: Interest Income</i>				-17,158
<i>Less: Wholesale &amp; Contract</i>			-48,033	
Cost to Provide Water Service	\$ 1,038,400	\$ 49,136	\$ 773,761	\$ 215,503
Revenue Required from Rates	\$ 1,038,400			

GALLATIN COUNTY WATER DISTRICT  
SUMMARY OF ALLOCATIONS - 50% DEPRECIATION

	<u>TOTAL</u>	<u>COMMODITY</u>	<u>DEMAND</u>	<u>CUSTOMER</u>
Plant Percentages	100.00%		90.00%	10.00%
Available For Debt Service	\$ 277,838		\$ 250,050	\$ 27,788
Depreciation Percentages	100.00%		92.06%	7.94%
Total Depreciation	171,801		158,161	13,639
Total Operation & Maintenance	537,398	\$ 49,136	255,422	232,840
Revenue Requirement	\$ 987,037			
<i>Less: Other Operating Revenue</i>				-55,246
<i>Less: Interest Income</i>				-17,158
<i>Less: Wholesale &amp; Contract</i>			-48,033	
Cost to Provide Water Service	\$ 866,600	\$ 49,136	\$ 615,600	\$ 201,864
Revenue Required from Rates	\$ 866,600			

ATTACHMENT G  
CASE NO. 2011-00378

GALLATIN COUNTY WATER DISTRICT  
CALCULATION OF WATER RATES

	<u>Total</u>	<u>First 1,000</u>	<u>Next 2,000</u>	<u>Next 2,000</u>	<u>Next 5,000</u>	<u>Over 10,000</u>
From Billing Analysis:						
Commodity Percents	100.00%	20.77%	33.18%	18.66%	15.02%	12.37%
Actual Commodity Sales	98,804,400	20,525,800	32,782,600	18,437,400	14,837,500	12,221,100
Peak Demand Weighted Factor		2	1.75	1.5	1.25	1
Peak Demand Weighted Sales	156,845,225	41,051,600	57,369,550	27,656,100	18,546,875	12,221,100
Demand Percents	100.00%	26.17%	36.58%	17.63%	11.82%	7.79%
Commodity Costs	\$49,136	\$ 10,208	\$ 16,303	\$9,169	\$ 7,379	\$ 6,078
Demand Costs	\$773,761	\$ 202,519	\$ 283,020	\$ 136,435	\$ 91,497	\$ 60,290
Customer Costs	\$ 215,503	\$ 215,503				
Total Costs	\$ 1,044,200	\$ 434,448	\$ 299,115	\$ 145,504	\$ 98,809	\$ 66,324
Divide By Bills/Gallons		22,802	32,782,600	18,437,400	14,837,500	12,221,100
Calculated Rates		\$ 19.05	\$ 9.12	\$ 7.89	\$ 6.66	\$ 5.43
		First 1,000	Next 2,000	Next 2,000	Next 5,000	Over 10,000

GALLATIN COUNTY WATER DISTRICT  
CALCULATION OF WATER RATES

	<u>Total</u>	<u>First 1,000</u>	<u>Next 2,000</u>	<u>Next 2,000</u>	<u>Next 5,000</u>	<u>Over 10,000</u>
From Billing Analysis:						
Commodity Percents	100.00%	20.77%	33.18%	18.66%	15.02%	12.37%
Actual Commodity Sales	98,804,400	20,525,800	32,782,600	18,437,400	14,837,500	12,221,100
Peak Demand Weighted Factor		2	1.75	1.5	1.25	1
Peak Demand Weighted Sales	156,845,225	41,051,600	57,369,550	27,656,100	18,546,875	12,221,100
Demand Percents	100.00%	26.17%	36.58%	17.63%	11.82%	7.79%
Commodity Costs	\$ 49,136	\$ 10,208	\$ 16,303	\$ 9,169	\$ 7,379	\$ 6,078
Demand Costs	\$ 615,600	\$ 161,123	\$ 225,169	\$ 108,547	\$ 72,794	\$ 47,966
Customer Costs	\$ 201,864	\$ 201,864				
Total Costs	\$ 872,400	\$ 379,413	\$ 241,265	\$ 117,616	\$ 80,106	\$ 54,000
Divide By Bills/Gallons		22,802	32,782,600	18,437,400	14,837,500	12,221,100
Calculated Rates		\$ 16.64	\$ 7.36	\$ 6.38	\$ 5.40	\$ 4.42
		First 1,000	Next 2,000	Next 2,000	Next 5,000	Over 10,000

ATTACHMENT H  
CASE NO. 2011-00378

GALLATIN COUNTY WATER DISTRICT  
RATES WITH 50 % DEPRECIATION - \$171,801

YEAR 1 RATES

	<u>Bills</u>	<u>Gallons</u>	<u>Rate</u>	<u>Revenue</u>	<u>Current Rate</u>	<u>Increase</u>	<u>% Increase</u>
First 1,000	22,802	20,525.8	\$ 16.64	\$ 379,413	\$ 16.60	\$ 0.04	0.00
Next 2,000		32,782.6	7.36	241,265	5.80	1.56	0.27
Next 2,000		18,437.4	6.38	117,616	5.50	0.88	0.16
Next 5,000		14,837.5	5.40	80,106	5.20	0.20	0.04
Over 10,000		12,221.1	4.42	54,000	5.05	-0.63	-0.13
		98,804.4		\$ 872,400			
KY-American			1.46	13,033			
KY Speedway			35,000	35,000			
Other Revenue				72,404			
Total Operating Revenue				\$ 992,837			

GALLATIN COUNTY WATER DISTRICT  
RATES WITH 100 % DEPRECIATION - \$343,601  
YEAR 3 RATES

	<u>Bills</u>	<u>Gallons</u>	<u>Rate</u>	<u>Revenue</u>	<u>Current Rate</u>	<u>Increase</u>	<u>% Increase</u>
First 1,000	22,802	20,525.8	\$ 19.05	\$ 434,448	\$ 16.64	\$ 2.41	0.15
Next 2,000		32,782.6	9.12	299,115	7.36	1.76	0.24
Next 2,000		18,437.4	7.89	145,504	6.38	1.51	0.24
Next 5,000		14,837.5	6.66	98,809	5.40	1.26	0.23
Over							
10,000		12,221.1	5.43	66,324	4.42	1.01	0.23
		98,804.4		\$ 1,044,200			
KY-American			1.46	13,033			
KY Speedway			35,000	35,000			
Other Revenue				72,404			
Total Operating Revenue				\$ 1,164,637			

ATTACHMENT I  
CASE NO. 2011-00378  
GALLATIN DISTRICT'S PROPOSED RATES

Effective Immediately

5/8" X 3/4" Meters

First	1,000 Gallons	\$ 17.65 Minimum Bill
Next	2,000 Gallons	6.50 per 1,000 Gallons
Next	2,000 Gallons	5.96 per 1,000 Gallons
Next	5,000 Gallons	5.62 per 1,000 Gallons
Over	10,000 Gallons	5.30 per 1,000 Gallons

Wholesale Rate \$ 1.46 per 1,000 Gallons

Sales to Kentucky Speedway will be a flat rate equivalent of \$2,917 per month, or a minimum of \$35,000 annually.

5/8-Inch x 3/4-Inch Meter Connection Charge	\$802.00
All Larger Meters Connection Charge	Actual Cost
Deposit	\$85.14

Effective November 1, 2013

5/8" X 3/4" Meters

First	1,000 Gallons	\$21.00 Minimum Bill
Next	2,000 Gallons	7.75 per 1,000 Gallons
Next	2,000 Gallons	7.44 per 1,000 Gallons
Next	5,000 Gallons	6.70 per 1,000 Gallons
Over	10,000 Gallons	6.20 per 1,000 Gallons

Wholesale Rate \$ 1.46 per 1,000 Gallons

Sales to Kentucky Speedway will be a flat rate equivalent of \$2,917 per month, or a minimum of \$35,000 annually.

5/8-Inch x 3/4-Inch Meter Connection Charge	\$802.00
All Larger Meters Connection Charge	Actual Cost
Deposit	\$102.76

ATTACHMENT J  
CASE NO. 2011-00378  
COMMISSION STAFF'S RATES TO PRODUCE RECOMMENDED  
REVENUE REQUIREMENT

Effective Immediately

5/8" X 3/4" Meters

First	1,000 Gallons	\$ 16.64 Minimum Bill
Next	2,000 Gallons	7.36 per 1,000 Gallons
Next	2,000 Gallons	6.38 per 1,000 Gallons
Next	5,000 Gallons	5.40 per 1,000 Gallons
Over	10,000 Gallons	4.42 per 1,000 Gallons

Wholesale Rate \$ 1.46 per 1,000 Gallons

Sales to Kentucky Speedway will be a flat rate equivalent of \$2,917 per month, or a minimum of \$35,000 annually.

5/8-Inch x 3/4-Inch Meter Connection Charge	\$802.00
All Larger Meters Connection Charge	Actual Cost

Effective November 1, 2013

5/8" X 3/4" Meters

First	1,000 Gallons	\$ 19.05 Minimum Bill
Next	2,000 Gallons	9.12 per 1,000 Gallons
Next	2,000 Gallons	7.89 per 1,000 Gallons
Next	5,000 Gallons	6.66 per 1,000 Gallons
Over	10,000 Gallons	5.43 per 1,000 Gallons

Wholesale Rate \$ 1.46 per 1,000 Gallons

Sales to Kentucky Speedway will be a flat rate equivalent of \$2,917 per month, or a minimum of \$35,000 annually.

5/8-Inch x 3/4-Inch Meter Connection Charge	\$802.00
All Larger Meters Connection Charge	Actual Cost

Vic Satchwell  
Chairman  
Gallatin County Water District  
4500 Highway 455  
Sparta, KY 41086